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Approved For Release 2003/11/19 : CIA-RDP79T01762A000900030008-9

OSD & DOS REVIEWS COMPLETED

DOE REVIEW COMPLETED

JCS review(s) completed.

On file DOC release instructions apply.

Referral to TREA Not Required

6 May 1966

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MEMORANDUM FOR:



SUBJECT : Interagency Contingency Coordinating Committee

1. Since DDI Notice 50-100-53, 20 April 1966, assigns to you responsibility for support to the CIA Member of the Interagency Contingency Coordinating Committee (CCC), the following background on the Committee may be helpful to you.

2. a. This Committee was established in late 1964 by an exchange of letters between the Secretaries of State and Defense. It is chaired by Mr. Jeffrey Kitchen, Deputy Assistant Secretary for Politico-Military Affairs and has membership from DOD (ISA), the Joint Staff, and CIA. Functioning as an inter-agency advisory group, it identifies likely trouble spots and recommends development of studies for those countries or regions for which a politico-military interagency effort focused on crisis anticipation and resulting operational requirements seems indicated. These studies examine the potential contingencies in which US military involvement, at any level of intensity, might be considered as a possible course of action.

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b. The studies are normally prepared, in accordance with guidelines set forth by the CCC, by ad hoc interagency study groups under the leadership of a Project Officer designated by the Assistant Secretary of State for the geographic area concerned. The CIA representation on these study groups is usually from the Directorate of Intelligence; an officer from the appropriate DD/P area division is designated to assist and advise the DD/I representative. After completion by the interagency study groups, these studies are forwarded by the Assistant Secretary concerned to the Deputy Undersecretary of State, for review by the CCC. The studies are also reviewed by US embassies and missions abroad and by the pertinent CINC's, before being submitted for Cabinet level consideration.

c. The completed contingency studies serve as guidelines for political, economic, military, and covert policy planning and as basic source and action documents containing essential information for management of an anticipated crisis. Issues arising in the preparation of these papers that cannot be resolved at working levels will be presented for top policy level consideration.

d. Both the Department of State and the Department of Defense attach great importance to the continuation of this effort, pursuant to NSAM 277.

3. It should be noted that the CCC is concerned only with those potential crisis areas in which US military involvement, at any level of intensity, is one of the possible options or courses of action. Thus there necessarily will be additional crisis or contingency planning underway for areas in which US military involvement is clearly out of the question. This latter type of planning will normally be undertaken by the appropriate IRG.

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4. As Acting CIA Member of the CCC, I will look to you to select the individual to participate in the ad hoc study group preparing each individual contingency study. I will also refer completed studies to you for your comment and guidance to me before they are reviewed by the CCC. I will also seek your guidance and assistance in responding to substantive questions or problems arising in the Committee, and may, on occasion, ask you to designate someone to accompany me to Committee meetings when a particular problem arises.

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5. Since the DCI and DDCI are aware of the work of the CCC and see most of the completed studies, I believe it is important that our participation and contribution at the ad hoc study group level be of as high a quality as is possible.

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Acting CIA Member,
Interagency Contingency Coordinating Committee

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MEMORANDUM FOR: *516/IRG
file*

The attached does not require
your unilateral action. It is forward-
ed FYI should the Agency IRG member
contact you for assistance in comply-
ing with the SIG requirements.

/s/

12 JUN 1968
(DATE)

STAT

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

(47)

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11 June 1968

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MEMORANDUM FOR: DDP

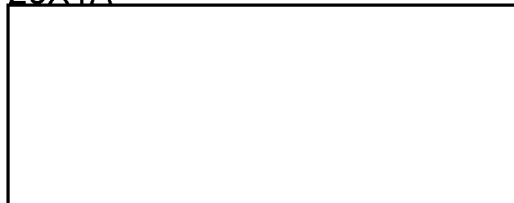
All CS Division Chiefs
All CS Staff Chiefs
DDI
DTR

SUBJECT:

SIG Approval of New Internal Defense
Policy

1. I refer to my memorandum of 4 June 1968, subject as above.
2. In paragraph 2 thereof I indicated that I had been informed that the SIG would shortly request the several Inter-departmental Regional Groups to identify and list those countries "in which an internal security situation represents a threat to significant U. S. interests."
3. I attach herewith a memorandum dated June 10, 1968 from the Chairman of the SIG to each of the Executive Chairman of the IRGs entitled, "Implementation of U. S. Policy on Internal Defense in Selected Foreign Countries." You will note that the Chairman of the SIG is directing that each IRG provide by July 1 the countries in the above category together with a brief explicit statement of the reasons for including each country on the list.

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Enclosure:

As Stated

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DEPARTMENT OF STATE

Washington, D.C. 20520

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SENIOR INTERDEPARTMENTAL GROUP

June 10, 1968

MEMORANDUM

TO: Executive Chairman, IRG/AF
IRG/ARA
IRG/EA
IRG/EUR
IRG/NEA
Chairman, Political-Military Group

FROM: *WLM* Under Secretary Katzenbach, Chairman
Senior Interdepartmental Group

SUBJECT: Implementation of U.S. Policy on Internal Defense
in Selected Foreign Countries

In implementation of the "U.S. Policy on Internal Defense in Selected Foreign Countries", approved by the SIG on May 23, 1968, the following responsibilities are assigned to you:

1. Each IRG will provide the SIG by July 1 with names of countries within its area of responsibility where the internal security situation represents a threat to significant United States interests and where United States foreign internal defense assistance would be desirable and feasible under the criteria of the revised policy. The list should be supported by a brief explicit statement of the reasons for including each country.

Strict application of the revised criteria necessarily will reduce the number of countries worldwide that qualify for United States assistance in the field of internal defense. However, it is recognized that in some countries current programs

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will have to be continued (although phased down over time) even if not completely justifiable on the grounds of an internal security threat to significant United States interests. Valid reasons for such exceptions may be preservation of a special political or military relationship, supplementing economic development assistance, repayment for United States overseas base rights, or protection of other United States interests. Each IRG will be expected to distinguish clearly between those countries which fully qualify for foreign internal defense assistance under the revised policy, and those which the IRG believes should continue to receive such assistance for other reasons, submitting to the SIG only the names of those countries in the former category.

2. Upon approval by the SIG of a country's inclusion and its priority in the foreign internal defense action list, a comprehensive analysis of the internal defense situation in that country will be prepared under the supervision of the Chief of Diplomatic Mission for review and approval by the IRG. This analysis will include a detailed summary of host country, United States, third country, and international agency programs proposed to meet the internal threat.

This may take the form of a separate plan or be included in an overall foreign affairs planning document for the country concerned. In either case, internal defense considerations should be carefully related to and integrated with other political, economic, military, psychological, and informational aspects of United States policies and programs, and should focus on improving the capability of the country itself to strengthen its own internal security, using United States programs and resources in supporting roles. The country

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internal defense plan will be the basis for departmental and interdepartmental decisions on United States policies and programs concerning internal defense. Except as a new crisis may require, the plan should be submitted early enough in the budget cycle so that Washington guidance may be available to the field for use in the development of agency program documents. An outline showing the desired scope and a possible format for the internal defense section of a country plan or for a separate country internal defense plan is attached.

To avoid duplication of effort, each IRG should make maximum use of reports already submitted in the preparation of internal defense plans. For example, the internal security section of the Country Analysis and Strategy Papers (CASPs) submitted by Latin American posts in almost every case, following IRG review, will satisfy the requirement established by this directive.

3. Countries should be nominated for addition to or removal from the foreign internal defense action list by each IRG as individual circumstances warrant. The proposal by the IRG to place a country on the list should contain an explicit statement of the reasons therefor and for the priority recommended. The proposal to remove a country should indicate what change in circumstances has occurred. Each country on the list, and countries which the IRG feels are potential candidates for the list, should be re-examined no less often than annually as a basis for evaluating on-going programs and determining whether the status of the country has changed. Additions to, or deletions from, the foreign internal defense action list must have SIG concurrence.

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4. The Political-Military Group, acting on behalf of the SIG, will be responsible for:
 - a. Recommending priorities among countries selected for United States action in the foreign internal defense field;
 - b. Exploring inter-regional and overall foreign policy implications of internal defense strategies and resource allocations recommended by the IRGs;
 - c. Reviewing interagency contingency studies involving the possible use of United States military forces in situations where the United States national security interest requires it;
 - d. Ensuring interdepartmental coordination of foreign internal defense research and development activities to make sure that United States resources are used most effectively to provide information, hardware, and techniques for application in the foreign internal defense field;
 - e. Reviewing, on the basis of the above, all internal defense country plans and related reporting; assisting the IRGs; bringing to the attention of the SIG additional options or alternative approaches in the light of overall United States resources, strategies, and commitments, and other matters requiring decision or consideration at that level; reporting at regular intervals to the SIG on foreign internal defense matters.
5. When carrying out its responsibilities under this directive, the Political-Military Group should

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include representatives from all Departments and Agencies holding membership in the SIG and IRGs.

Attachment:

Suggested Outline for a Foreign
Internal Defense Plan

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Attachment A

SUGGESTED OUTLINE FOR A
FOREIGN INTERNAL DEFENSE PLAN (FIDP)

Country

I. BASIC STRATEGY

Briefly summarize the significant United States interests requiring a United States concern with the internal security of the country. Indicate what group, or groups, pose a threat to internal security and to what extent, if any, these groups are, or may be, supported by or allied with a foreign government. Indicate also the adverse consequences for the United States of successful efforts to subvert the existing government. State why United States support is believed to be both necessary and useful for the successful suppression of threats to internal security, and indicate the general magnitude of United States resources likely to be required over the next five years.

II. ASSESSMENT OF THE SITUATION

- A. Political
- B. Economic/Social
- C. Security

- 1. External
- 2. Internal

Briefly analyze recent developments and future prospects (three to five years) under categories A, B, and C, above, in terms of the country's major strengths and weaknesses; identify the actual and potential internal security threat and its causes, including:

- a. Nature of the threat.
- b. Sources of the threat.
- c. Probable lines along which the threat may develop.
- d. Target areas of the threat.

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Weigh the vulnerabilities of the society to the threat; assess the capability of the country to cope with the threat; and estimate the opportunities open to influence by the United States. Specific attention should be given to major sociological/religious/cultural factors peculiar to the host country that may influence its ability--even with United States and other assistance--to meet the internal threat. If required, additional background information should be included in appendices.

III. GENERAL AND SPECIFIC OBJECTIVES

A. Political

1. e.g., institutional development
2. e.g., representative processes

B. Economic/Social

1. e.g., economic growth and modernization
2. e.g., education, health, and community development

C. Security

1. e.g., police and public safety
2. e.g., military capability

List, in order of priority, the general United States objectives in the country over the next three to five years for each of the above categories as related to internal security programs. The list should include cultural/sociological/psychological objectives in each category. Specific internal defense objectives should be stated in terms of the goals the United States wishes the host country to pursue. These objectives, to the extent possible, should be quantified in terms of results desired within a stated time (e.g., levels of investment, extent of programs). In those countries which have initiated actions to achieve goals in accordance with a development plan, the United States specific objectives should be consistent as far as possible with those of the host government.

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IV. COURSES OF ACTION

- A. Political
- B. Economic/Social
- C. Security

The development and subsequent selection of programs to achieve objectives in each of the above categories should include consideration of actions of the host country, the United States, third countries, and international organizations. The proposed programs and projected resources necessary to execute them should be discussed briefly; detailed analysis, including a summary of resources available from the host country, the United States, third countries, and international agencies, should be dealt with in Section V.

V. RESOURCE REQUIREMENTS AND AVAILABILITY

- A. Political programs
- B. Economic/Social programs
 - 1. Long-range (low immediate impact)
 - 2. Short-range (high immediate impact)
- C. Civic Action
 - 1. Police
 - 2. Military
 - 3. Paramilitary
- D. Security programs
 - 1. Police
 - 2. Military
 - 3. Paramilitary
 - 4. Others

This discussion should refer directly to the programs presented in Section IV, identifying estimated United States dollar cost of each program and proposed major projects. The analysis should show specifically what portion of the recommended assistance is included in existing United States programs, such

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as the Five-Year Military Assistance Program and the AID Programs, and should specify the dollar amount and recommended sources of any additional funding required. Discussion of security programs should include the requirements for equipment and materiel, in-country advisors, and formal and on-the-job training. These requirements should be tied closely to specific objectives described in Section III above.

VI. APPENDICES

Data and fact sheets should be appended as back-up material pertinent to the plan.

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|--------------|--------------|--------|

OFFICIAL ROUTING SLIP

| TO | NAME AND ADDRESS | DATE | INITIALS |
|----|-------------------------|---------|-------------------|
| 1 | <i>D. B. [unclear]</i> | 27 May | <i>[initials]</i> |
| 2 | <i>[unclear]</i> | | |
| 3 | <i>Fred</i> | 20/1/68 | <i>[initials]</i> |
| 4 | <i>Ret EA - C/Gen A</i> | | |
| 5 | | | |
| 6 | | | |

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| ACTION | DIRECT REPLY | PREPARE REPLY |
| APPROVAL | DISPATCH | RECOMMENDATION |
| COMMENT | FILE | RETURN |
| CONCURRENCE | INFORMATION | SIGNATURE |

Remarks:

re our talk on SIG consideration of the [redacted] problem. I received [redacted] yesterday & have attached some earlier correspondence on the subj. This is for you & Mary's et al. info pls return when finished. I doubt we will have anything to report to SIG on this subj - P

FOLD HERE TO RETURN TO SENDER

FROM: NAME, ADDRESS AND PHONE NO.

DATE

17 MAY 1968

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

IRG/EUR Meeting - 22 April 1968

MAY 16 1 58 PM '68

FROM:

[Redacted]

STAT

EXTENSION

NO.

5882

DATE

9 May 1968

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

RECEIVED

FORWARDED

1.

[Redacted]

W. B. G. J.

2.

7G25 Hqs

3.

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1 April 1968

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MEMORANDUM FOR:

SUBJECT : European IRG Meeting - 27 March 1968

1. Herewith draft minutes of subject IRG meeting, "Determination of U.S. Position on Spanish Request for Revision of 1953/1963 US-Spanish Defense Agreement."

2. We have been asked to provide comments, if any, by 10 April. It is our view that the delineation of the topics, and the participants, of the various Task Forces is appropriate to the problem and we suggest that we confine our role at the IRG level to monitoring the activities of these various Task Forces.

3. If our proposal likewise strikes you as sufficient, please advise by telephone so that we can confirm our agreement with the minutes. If you feel some substantive point ought to be made at this time, please let us have it for our consideration by close of business 5 April.

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Attachment:
As noted.

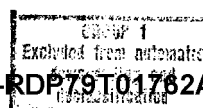
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RMBeaudry/afm
3/28/68 (Draft)

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INTERDEPARTMENTAL REGIONAL GROUP
FOR EUROPE

Minutes of Meeting of March 27, 1968

Subject: Determination of U.S. Position on Spanish Request
for Revision of the 1953/1963 US-Spanish Defense
Agreement

Chairman: John M. Leddy

Present : DOD - General Wheelock, Mr. Clinard, Capt. Golden
NSC - Mr. Glitman
JCS - General Marshall, Capt. Wilder

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[REDACTED]
Justice - Mr. Doherty
Treasury - Mr. Widman
USIA - Mr. Weld
G/PM - Mr. Wolf
H - Ambassador Torbert
E - Mr. Heginbotham
L - Mr. Berlack
EUR/SPP - Mr. Landau, Mr. Smith
Commerce - Mr. Feer, Mr. Humbert
EUR - Robert M. Beaudry, IRG/EUR Staff Director

Conclusions:

1. The meeting noted approval of the minutes of the meeting of February 28.
2. The IRG/EUR agreed that considerable further work is necessary before we can establish a U.S. position in connection with the Spanish base negotiations. The IRG agreed to meet

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again on April 17 at 3:00 p.m. in order to consider the papers which are to be prepared by the following groups:

Task

To develop language which might upgrade the agreement with the Spaniards without bringing it to the level of a treaty. Expansion of consultative apparatus without establishing cabinet-level consultative machinery.

Prepare papers on the nuclear overflight problem and the Spanish proposal to limit the movement of U.S. forces from Spain to territories claimed by Spain.

Outline of position paper

Task Force

State, Defense, Justice lawyers. To be chaired by State.

State, Defense, JCS. To be chaired by State: Mr. Landau.

State: Mr. Landau.

In addition to the above, it was agreed that the State Department would prepare a reply to the Spanish Foreign Minister's letter to Secretary Rusk announcing Spain's desire to open negotiations on extending the base agreement. The draft reply will be circulated to IRG members for comment.

Discussion:

The Chairman stated in opening the meeting that the purpose was to review the situation with regard to the Spanish bases and begin the process of developing a U.S. negotiating position. It was not possible at this time to take any firm decisions but the IRG could assign tasks which would permit sub-groups to prepare

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needed studies with maximum detail on which the IRG could reach a decision. Mr. Leddy said that we should not feel under any pressure of deadlines in this negotiation, but on the other hand we have the need to move ahead without lost time in developing a position on the various issues involved.

Mr. Landau, at the Chairman's request, sketched out the problem. Various aspects of our relations with Spain as they relate to the bases were considered.

The Chairman asked DOD and JCS to consider (a) the level of military assistance which we might be able to offer the Spanish during the negotiations, and (b) the possibility of reducing the U.S. military presence in Spain consonant with security requirements. He expressed the hope that DOD and JCS could concert their views on these matters at an early date and inform the IRG.

The one aspect of the matter on which there was general agreement had to do with the question of advocating up-grading our present agreement to treaty status. There was unanimous agreement that it was neither practical nor desirable to advocate such a step.

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25 March 1968

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MEMORANDUM TO:

THROUGH :

SUBJECT : Comments on IRC/EUR Paper-Determination of
U.S. Position on Spanish Request for Revision
Of the 1953/1963 US-Spanish Defense Agreement,
Of 18 March 1968

To this comprehensive statement of the situation, we have only two minor additions to suggest.

1. On page 3, Item B 1, Revision of the Technical Annexes...to some degree of Spanish control. Add: The Spaniards wish to remove the question of jurisdiction from the Technical Agreement and make it the subject of a separate Status of Forces Agreement.

2. The Spaniards may try to insist that Spain's reclassification under the US balance of payments program be made a part of the defense agreement. We suggest that the US reaction to such insistence be made clear in the second paragraph of sections D 2, D 3 and D 4 on pages 6 and 7.

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Copy also filed in [illegible]



DEPARTMENT OF STATE

Washington, D.C. 20520

SECRET (with TOP SECRET attachment)

March 18, 1968

TO : IRG/EUR Regular Members (and invited list)
FROM : IRG/EUR - Robert M. Beaudry, ^{Wax} Staff Director
SUBJECT: Determination of U.S. Position on Spanish Request
for Revision of the 1953/1963 US-Spanish Defense
Agreement

The IRG/EUR will consider the attached paper at a meeting on March 27 at 3:00 p.m. in Room 7516, at the Department of State.

You are invited to attend the meeting.

Attachment:

Determination of U.S. Position on
Spanish Request for Revision of the
1953/63 US-Spanish Defense Agreement

Invited list:

Department of the Treasury
Department of Commerce
Department of Justice

EUR/RMB:afm

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**Determination of U.S. Position on Spanish Request for Revision
of the 1953/63 U.S.-Spanish Defense Agreement**

PROBLEM: The 1963 U.S.-Spanish Defense Agreement expires on September 26, 1968. There was a provision for its automatic extension for an additional five years unless either party requested revision. The Spanish Government has formally informed the U.S. that the Agreement cannot be extended without revision. We must establish a U.S. position on this matter.

A. Background

On September 26, 1953, the Governments of Spain and the United States concluded three bilateral agreements which provided for (1) the construction and use of military facilities in Spain by the United States; (2) economic assistance; and (3) military end-item assistance.

As a result of these agreements, the United States subsequently constructed three air bases at Torrejon (near Madrid), Zaragoza, and Moron (near Seville), and one naval base at Rota (near Cadiz) plus various additional minor installations related to communications and ammunition storage requirements.

Over the first ten-year period of the Agreement the United States provided approximately \$1.2 billion in economic and military assistance.

At the conclusion of the initial period of validity on September 26, 1963, the Defense Agreement providing for the use of military facilities was extended for an additional period of five years. As part of the extension, the two Governments issued a Joint Declaration which reaffirmed the importance of Spain to the security of the Atlantic and Mediterranean areas and stated that a threat to either country would be a matter of common concern to both and each would take such action as it considered appropriate within the framework of its constitutional processes. The renewal also provided for the establishment of a Joint Consultative Committee and a secret agreement that the United States would provide \$50 million in military assistance over the five year validity of the renewal plus an additional \$50 million if Spain purchased an equivalent amount of U.S. military equipment. In a separate letter, the Secretary of State indicated U.S. Government willingness to consider loans to Spain through the Export-Import Bank.

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At present the joint bases at Torrejon, Moron, and Rota are operational, while the base at Zaragoza is in stand-by status.

On November 13, 1967, Foreign Minister Castiella informed the Secretary in Washington that he had been sent on an official mission on behalf of the Spanish Government to request formally that the 1963 Agreement, due for renewal in 1968, be revised and adapted to the current world situation. As a prelude to negotiations, a U.S. Inter-Agency Briefing Team visited Madrid in December and provided senior Spanish officials with briefings on the Soviet presence in the Mediterranean, Chinese Nuclear Potential, and the recently announced U.S. Anti-Ballistic Missile System.

On January 26, 1968, Mr. Nuno Aguirre de Carcer, Director General for American and Far Eastern Affairs, Spanish Ministry of Foreign Affairs, formally presented to Deputy Assistant Secretary Farley Spain's proposals for the revision of the Technical Annexes of the U.S.-Spanish Agreement. In presenting the 29-page document, he emphasized that this proposal was part of the 1963 Agreement and should be speedily disposed of so as not to impede negotiations for renewal of the 1968 Agreement. While the revisions are part of the 1963 Agreement, they will become part of any renewed Agreement. Moreover, because they cover such matters as movement of U.S. armed forces in Spain (including in the new Spanish proposal a requirement for prior Spanish permission for the movement of any U.S. nuclear components), negotiations for the revisions will ultimately affect the value of the bases and accordingly the U.S. position regarding the renewal of the 1968 Agreement.

For the past several months there have been firm indications that Spain would request that the revised U.S.-Spanish Defense Agreement include a firm mutual security provision similar to Article 3 of the North Atlantic Treaty and the Treaty provisions between the U.S. and Japan and be transformed into a formal treaty. This was confirmed by the Director General of American and Far Eastern Affairs of the Spanish Foreign Ministry during his visit to Washington in late January, 1968, when he stated that Spain believes that the presence of U.S. bases and their military association with the U.S. makes them a prime target for nuclear attack in the event of war and requires a U.S. security guarantee embodied in a formal U.S.-Spanish Treaty. Spain believes strongly that it is not equitable or logical for the U.S. to have provided mutual security guarantees to Japan, Korea, and the Philippines and not to agree to provide the same protection to Spain. Spanish officials have also stated that, based on conversations with various U.S. Senators and the precedent of the 1956 Joint Congressional Resolution calling for Spain's entry into NATO, they have difficulty accepting contentions that a treaty with Spain would be looked upon with disfavor by the U.S. Senate.

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3.

Announcement of the U.S. balance of payments program produced consternation and resentment in Spain. On January 10, in a conversation with Ambassadors Duke and Trezise, Foreign Minister Castiella contended that the U.S. measures discriminated against Spain. In this connection he mentioned our "special relationship" and suggested that the matter be handled by the Joint Consultative Committee created by the 1963 Agreement. The Spanish complaint was presented in detail by a Spanish Foreign Ministry delegation which arrived in Washington January 19. The Spanish representatives protested the inclusion of Spain in Schedule C among the surplus countries of Europe subject to moratorium on direct U.S. investment. They proposed that Spain be reclassified to the Schedule B group, where U.S. investment flows could continue at 65% of base period levels. In supporting their request the delegation argued: 1) that Spain, with an annual deficit of over \$400 million in its trade with the U.S. has not contributed to U.S. balance of payments difficulties; 2) that Spain, unlike others placed in Schedule C, is neither a developed country nor a surplus country; 3) that Spain is heavily dependent on U.S. capital inflows for continued economic growth and stability; and 4) that failure to afford some relief could force Spain to adopt severely restrictive measures of its own. U.S. officials were unable to meet Spain's request for reclassification or to give assurances of preferential treatment.

B. Anticipated Spanish Position

1. Revision of the Technical Annexes to increase Spanish jurisdiction over U.S. forces in Spain as well as to subject movement of U.S. forces in Spain, especially nuclear components, to some degree of Spanish control.
2. Transformation of the present arrangement into a statutory relationship through negotiation of a formal U.S.-Spanish Mutual Security Treaty, modeled perhaps on the U.S.-Japanese Security Treaty.
3. Expansion of the existing consultative apparatus from the presently constituted Joint Consultative Committee into several separate and special consultative committees assigned such topics as political, economic, scientific and cultural affairs.
4. U.S. supply of military "hardware items" to the Spanish armed forces equal to approximately \$280 million in value. Fall-back position would be to an amount provided for in the 1963 Agreement. (See above.)
5. Revision of the U.S. balance of payments regulations to reclassify Spain from Schedule C to Schedule B and to exempt Spain from the Interest Equalization Tax. Assurance of continued Ex-Im Bank lending would also be sought.

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C. Discussion

On January 18, 1968, the Chairman of the Joint Chiefs of Staff, General Earle G. Wheeler, sent a memorandum to the Secretary of Defense in which the Joint Chiefs of Staff recommended that the U.S. military presence and facilities in Spain be retained and that the Defense Agreement with Spain be extended for five years, preferably on terms as favorable as those now in force. The JCS recommended that means be determined to provide Spain military and economic assistance, and political support as feasible, sufficient as quid pro quo for the U.S. bases and facilities.

In making their recommendation, the JCS concluded that the U.S. bases and facilities in Spain are of increasing strategic importance to the U.S. and will become progressively more valuable during the 1968-1973 period and beyond. The U.S.-Spanish bases are, the JCS stated, becoming more significant because of: 1) the Soviet build-up in the Mediterranean; 2) the limited availability of other facilities located in the Mediterranean and North African areas; 3) the difficulty of establishing new bases as alternatives; and 4) the limitation on NATO use of French territory and air space.

The JCS memorandum noted that U.S. facilities in Spain cost over \$395.6 million to construct and would cost over \$1.1 billion to replace. While the JCS acknowledged there were alternatives which conceivably could provide for some, but not all, of the facilities, these alternatives, where feasible, would be expensive, time-consuming, and less satisfactory, both strategically and politically. JCS states relocation would require up to five years after acquisition of base rights and property (in such countries as Libya, Malta, Morocco, Tunisia, and Portugal) and would further aggravate the gold flow problem.

The JCS believe that the loss of U.S. military bases and facilities in Spain, without equivalent replacement elsewhere, would degrade U.S. strategic military posture and would seriously reduce the capability of U.S. commands to accomplish their missions in support of U.S. national security objectives in this general area. The Department of Defense has not commented on the JCS document as yet. END TOP SECRET

The principal political factors to be considered in contemplating an extension of the Defense Agreement with the Franco regime are the effect such a renewal would have on: 1) the U.S. position within Spain; 2) U.S. foreign relations with other countries; and 3) U.S. domestic politics.

- 1) A continued U.S. military presence in Spain (combined with a possible expansion of the formal bilateral consultative framework

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to non-military subjects) would be likely to further alienate Spanish opposition political groups from the United States. However, whatever short-term advantages might be gained with these opposition groups by termination of the Agreement would probably be offset by a corresponding and more significant decrease in U.S. influence among the progressive elements within the present government establishment (including the military) who are more likely to play an important role in any successor regime than the opposition. An additional internal factor is that the general acceptance by the Spanish people of the U.S. presence, which originally existed, was sharply jarred by the mid-air collision of two U.S. Air Force aircraft over Palomares, Spain, on January 17, 1966, and the dropping of four hydrogen bombs. This accident suddenly brought home to the Spanish people that there were serious risks involved in the American presence, and their uneasiness has never really subsided. Moreover, as a direct result of the accident, the Spanish Government requested that we suspend all nuclear overflights of Spanish territory. This suspension remains in effect.

2) During the 15 years since the 1953 Agreements were concluded with Spain, other Europeans have become increasingly accustomed to the relationship inherent in these Agreements. Most NATO countries recognize that our facilities in Spain are valuable assets in the common defense and, particularly now with the increased presence of Soviet forces in the Mediterranean. Spain has also succeeded in progressively improving its relations with almost all European, African, Latin American and Asian countries. In no country is criticism of our relations with Spain a serious problem in our bilateral relations with that country.

3) The IBC may assume that identification with the Franco regime constitutes on balance for any U.S. administration a domestic political liability, particularly with the labor unions and certain liberal political groups.

The principal economic factor to be considered in deciding whether to renew the Defense Agreement is the effect this action would have on the U.S. maintaining its present trade position in Spain. From 1961 through 1966, the Spanish economy expanded at a remarkably rapid pace, with annual GNP growth averaging 8%. The period was also characterized by strong inflationary pressures, a sharp rise in imports, and a widening deficit on international trade account. Beginning in 1965, Spain began to suffer annual losses of foreign exchange reserves which an internal austerity program has thus far failed to arrest. The growth rate dropped to about 4% in 1967, but prices continued to rise and in November Spain devalued the peseta by 14.3%. Thus it was evident even before the U.S. balance

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of payments program that Spain would be forced to take stronger measures to achieve external and internal equilibrium. Although the effect of the U.S. program may not be as serious as the Spanish anticipate, it will certainly not help matters, and the U.S. can expect to be blamed in some measure for a retrenchment that had become necessary in any case.

In these circumstances, termination of the Agreement would seriously reduce our ability to deflect any possible Spanish retaliatory moves against our exports.

D. Possible U.S. Courses of Action

1. Termination: The U.S. decides that because it is unable to meet either the Spanish request for a treaty or to allocate necessary funds for required U.S. grant aid, it will not enter into formal negotiations for an extension of the Agreement. The U.S. will inform the Spanish Government and commence planning for withdrawal from Spain during an 18-month period beginning September 26, 1968, and to be completed no later than March 26, 1970.

2. Extension of Agreement with Treaty Provision: The U.S. will enter into formal negotiations with Spain for an extension of the Agreement (with or without freedom of movement of U.S. nuclear components), prepared to agree ultimately to entering into a security treaty relationship similar to what the U.S. presently has with Japan. We would also be prepared to provide some form of military assistance to Spain, approximating that provided in the 1963 Agreement. We would agree to establishment of additional consultative committees.

We could not at this time agree to reclassify Spain under the U.S. balance of payments regulations or to exempt Spain from the Interest Equalization Tax. We would, however, be prepared to consider requests by U.S. companies for specific exemptions or special authorizations relating to U.S. direct investments in Spain. We would also agree that the facilities of the Export-Import Bank would continue to be open to Spain.

3. Extension of Agreement without Treaty Provision: The U.S. will enter into formal negotiations with Spain for an extension of the Agreement (with or without freedom of movement of U.S. nuclear components) without a treaty relationship and would be prepared not to extend the Agreement if Spain would insist on a treaty. The U.S. would, however, be prepared to meet Spanish requests for security guarantees, short of a treaty. We would also be prepared to provide some form of military assistance to Spain, approximating that provided under the 1963 Agreement. We would agree to establishment of additional consultative committees.

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We would not at this time agree to reclassify Spain under the U.S. balance of payments regulations or to exempt Spain from the Interest Equalization Tax. We would, however, be prepared to consider requests by U.S. companies for specific exemptions or special authorizations relating to U.S. direct investments in Spain. We would also agree that the facilities of the Export-Import Bank would continue to be open to Spain.

4. Extension of Agreement with a Reduced U.S. presence and without Treaty Provision: The U.S. will enter into formal negotiations with Spain for an extension of the Agreement (with or without freedom of movement of U.S. nuclear components) with a reduction in the U.S. presence and without a treaty relationship and would be prepared not to extend the Agreement if Spain would insist on a treaty. This would be accomplished through possibly reducing the number of bases maintained as well as reducing the number of units and personnel stationed in Spain. We would also be prepared to provide some form of military assistance to Spain. We would agree to establishment of additional consultative committees.

We would not at this time agree to reclassify Spain under the U.S. balance of payments regulations or to exempt Spain from the Interest Equalization Tax. We would, however, be prepared to consider requests by U.S. companies for specific exemptions or special authorizations relating to U.S. direct investments in Spain. We would also agree that the facilities of the Export-Import Bank would continue to be open to Spain.

E. Recommended Action by the IRG:

1. Examine the various options open to the U.S. as outlined above under the four possible U.S. courses of action.
2. Decide whether it is in the U.S. national interest to extend the U.S.-Spanish Defense Agreement, including in the decision recommendations:
 - a. if affirmative, what the U.S. response should be to the Spanish conditions for renewal and the level of the U.S. military presence to be maintained during the 1968-1973 period.
 - b. if negative, what courses of action are to be followed in the wake of a U.S. withdrawal from the Spanish bases.

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Clearances:

H. - Ambassador Torbert
H. - Mr. Hornet
E. - Mr. Colman

EUR/RPM: - Mr. McAuliffe

EUR/SPP: - G. W. Landau

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Dear [REDACTED]

In December of 1966 the Interdepartmental Regional Group for Europe (IRG/EUR) approved certain changes in port security regulations covering the entry, search and surveillance of Soviet and East European vessels in United States ports. Specifically, the IRG/EUR agreed that (1) additional continental United States ports be designated open to calls by Soviet and East European vessels, (2) search and surveillance be performed on a random basis, and (3) the advance notification period be reduced to seven days. The IRG/EUR recommended that Congressional and labor leaders be informed of these changes prior to their implementation.

In view of possible public interest arising out of frequent calls by Soviet and East European vessels to ports which in the past had been closed to them, the Department requested White House authorization for holding Congressional and labor consultations. We were advised to defer action on this matter. Subsequently, however, approval was obtained for implementing the IRG/EUR recommendation dealing with the advance notification period without consultations outside the executive branch.

The Department of Transportation has recently informed us that it has come under considerable pressure and criticism from various United States port interests which claim they are losing revenues because their ports are closed to Soviet and East European vessels under the Port Security Program. Several Congressmen representing closed port areas have also expressed an interest in this matter. The inter-departmental Port Security Committee, while aware of this problem, is nonetheless reluctant to permit calls at closed ports, even on an exceptional basis, mainly due to the limitations in the operating resources of the Coast Guard which is required to board, search, and hold under surveillance each such vessel.

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[REDACTED]
Central Intelligence Agency,
Washington, D.C.

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In order to meet this problem, we propose requesting the White House to consider approving the second point of the IRG/EUR recommendation (boarding, search, and surveillance on a random basis) without prior consultation with labor and Congressional leaders. Such consultations do not appear necessary in this case since implementation of the recommendation involves only internal security procedure and is not a matter of public knowledge or interest. If the recommendation is approved, the Coast Guard will then have available manpower within its current budgetary limitation to permit the Port Security Committee to exercise more flexibility in granting exceptions to Soviet and East European vessels for calls at those ports not normally open to them. The availability of an option to grant exceptions would not only be helpful to the Department of Transportation but would also be of value to the Department of State in the conduct of foreign relations with the Soviet Union and East European countries.

If your Agency has no objection, we will forward a memorandum to the White House recommending that the IRG/EUR approved change in port security regulations covering search and surveillance only be put into effect without labor or Congressional consultation. A copy of the proposed memorandum to the White House is enclosed.

I have also written to the Departments of Defense, Justice, Labor, and Transportation on this matter.

Sincerely,

John M. Leddy

Enclosure:

Draft Read-Rostow
Memorandum.

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MEMORANDUM FOR MR. WALT W. ROSTOW
THE WHITE HOUSE

Subject: United States Port Security Program

Under Secretary Katzenbach in his memorandum of January 20, 1967 to the President (copy enclosed) outlined the changes in United States port security regulations approved by the Interdepartmental Regional Group for Europe on December 19, 1966 and requested authorization to discuss these changes with key labor and Congressional leaders. In reply, the White House instructed us to defer action on this matter.

In September 1967 your office approved the IRG/EUR recommendation reducing the notification period from 30 to 7 days. Consultation with labor and Congressional leaders was not required.

In recent months United States Government Departments administering the port security program have come under criticism from United States port interests for restricting the number of United States ports open to calls by Soviet and East European vessels. They maintain that this restriction is discriminatory and that the closed ports lose revenues as a result. Several Congressmen representing closed port areas have also expressed their interest in this matter.

The basic reason for the restricted number of United States ports serving Soviet and East European vessels is the limitation in the

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, operating resources of the Coast Guard which is responsible for boarding, search and continuous dockside and seaside surveillance of every such vessel entering an American port. This limitation allows very little flexibility within the Port Security Committee even to the extent of permitting one-time entry to closed ports on an exceptional basis.

In order to overcome this limitation and the resulting criticism from port authorities, approval is requested for the implementation of that IRG/EUR recommendation which provided that boarding, search and surveillance be performed on a selective spot-check basis rather than on a mandatory full coverage basis. Under this procedure, Coast Guard forces would more readily be available to cover requests for calls at closed ports and the Port Security Committee would then have the necessary flexibility previously available to it, and now restricted by budgetary limitations, to approve such requests on an ad hoc basis. Since no additional ports would be designated as open on a permanent basis, it would appear that labor and Congressional leaders would not have to be consulted. It is not anticipated that the recommended change in internal port security procedures would result in adverse public comment.

The Departments of Transportation, Justice, Labor, Defense and CIA concur in this recommendation.

Benjamin H. Read
Executive Secretary

Enclosure:

Copy of memorandum from Under
Secretary Katzenbach to the
President, January 20, 1967

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January 20, 1967

COPY

MEMORANDUM FOR THE PRESIDENT

Recommendation:

That you authorize consultation with key labor and Congressional leaders concerning a proposal to reduce present restrictions on entry of Soviet and Eastern European ships into US ports.

Approve _____ Disapprove _____

Discussion:

Existing port security regulations require search and surveillance of all Soviet and Eastern European ships entering US ports; limit access of these ships to twelve designated port areas; require notification to US authorities 30 days in advance of entry; and provide strict visa requirements for crew members and export controls on bunkering.

These restrictions were established during the Korean War. Their primary purpose was to guard against the clandestine introduction of nuclear weapons into the US, concealed in merchant vessels. Since that time, the development by the Soviets of sophisticated nuclear delivery systems has changed the nature of our security problem. At the same time, our port security program has been regularly singled out by the USSR and Eastern European countries as an obstacle to improved relations.

In the light of changed security requirements and in response to NSAM 352 (East-West initiatives), the Department of State last summer put forward for interagency consideration a proposal which in essence recommends:

- that additional US ports be opened to Soviet and Eastern European shipping to the extent that security permits;
- that boarding, search and surveillance of such vessels be performed on a selective spot-check basis rather than on a mandatory full-coverage basis; and
- that the advance notification period be reduced to seven days.

These proposals were accepted, after thorough examination by interested agencies, at the December 19, 1966, meeting of the Inter-departmental Regional Group for Europe, at which the Departments of

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State, Defense, Justice, Labor and the Treasury, the Joint Chiefs of Staff, the US Information Agency and the White House staff were represented. The Group agreed that a draft National Security Action Memorandum be prepared for your approval, subject to (a) prior discussion with key labor leaders (including at least AFL-CIO President George Meany and President "Ted" Gleason of the International Longshoremen's Association), and (b) subsequent soundings with Congressional leadership. Consultation with labor would be undertaken by a high-level interagency group, possibly chaired by the Secretary of Labor.

Care has been taken to ensure that the proposed changes in no way affect the security of the US. No ports will be opened -- beyond those already open -- in counties noted as sensitive by the Joint Chiefs of Staff. Ports will be opened only after consultation with the Port Security Committee, and all interested agencies will be advised in advance of any calls by Soviet and Eastern European vessels at US ports. No change is anticipated in visa or bunkering requirements.

In view of the sensitivity toward East-West matters in the Congress and among organized labor and the public at large, I believe you should know of this proposed initiative before the first steps are taken outside of the Executive Branch. If you have no objection, we will proceed as soon as possible to consult with selected labor leaders and subsequently with key members of Congress before coming back with a recommended NSAM for your final approval.

On 1/1/79
Under Secretary

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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MEMORANDUM FOR:

INFORMATION :

SUBJECT : European IRG Meeting - 28 February 1968

1. Under my memorandum of 17 February 1968, subject as above, you received a copy of the Department of State "Proposal to Mitigate the Extraterritorial Effects of U.S. Cuban Assets Control and Foreign Assets Control Regulations" which was the agenda for the 28 February European IRG meeting.

2. The meeting, chaired by Mr. George Springsteen, Deputy Assistant Secretary for Europe, was exceptionally lively. Rufus Smith, Country Director, Canada, made the basic presentation in support of the lifting of existing restrictions. Other spokesmen representing Far East and Western Hemisphere areas of State, made statements tailored to support the basic paper.

3. Strong opposition was voiced by both Treasury and Commerce. Both felt that the action proposed would have much more far-reaching effects than the State proposal suggested and would in fact be interpreted as a major policy change on the part of the U.S. Government. Moreover, neither Treasury nor Commerce was prepared to accept the contention that any real problem exists with Canada: they assert that individual problems have been met as they have arisen so that the facts simply will not substantiate the continuous assertions by Ambassador Butterworth that a burgeoning political problem exists.

4. The chairman insisted on polling all agencies present (the first time in my experience that the European IRG has so operated) and announced the bidding would be Department of Defense, USIA, Justice, and State in favor of the proposal, Joint Chiefs deferred their position for further study, Treasury and Commerce opposed to the proposal. Based on advice from addressees, I stated the CIA position / to be neutral.

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5. The chairman stated that the proposal would now be referred to the SIG, which brought forth expressions of consternation from both Treasury and Commerce neither of which could visualize what proposal could possibly emerge from the IRG discussion which could even remotely be described as an agreed position. The chairman stated that the IRG was under no compulsion to reach agreement and that State would decide the framework and substance of the paper which would be forwarded to the SIG. Commerce and Treasury were assured that they would be permitted to see this paper before it is considered by the SIG. Commerce thereupon announced that it would study the possibility of preparing a paper of its own.

6. To date I have not received either the minutes of this meeting or any further communication relative to this subject.

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